

Message Text

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ACTION XMB-04

INFO OCT-01 EUR-12 ISO-00 EB-07 /024 W

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R 090912Z APR 76

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 6617

INFO AMEMBASSY LUXEMBOURG

USDOC WASHDC

UNCLAS BRUSSELS 3643

STATE FOR EXIMBANK CHOSEI KUGE FROM RENDELL EXIMBANK
LUXEMBOURG FOR RILEY

E.O. 11652: N/A

TAGS: EFIN EAIR LU BE

SUBJECT: FINANCING OF BOEING 737 SALES TO LUXAIR

REF: OSLO 1709 AND LUXEMBOURG 0356

1. IN ACCORDANCE WITH ARRANGEMENTS STATED IN REFTELS
ON APRIL 8, 1976, ROBERT S. RENDELL, EXIMBANK DEPUTY
GENERAL COUNSEL, MET IN AMERICAN EMBASSY BRUSSELS WITH
MR. RAYMOND WOLFF, FINANCIAL MANAGER OF LUXAIR. REPORT OF
MEETING AS FOLLOWS:

2. WOLFF REPEATED DIFFICULTY OF OBTAINING DIRECT GOVERNMENT
OF LUXEMBOURG GUARANTEE ON EXIMBANK LOAN TO LUXAIR. WOLFF
OFFERED INSTEAD GUARANTEES OF THREE LUXEMBOURG BANKS:
BANGUE INTERNATIONALE, BANGUE GENERAL, AND CAISSE D'EPARGNE
DE L'ETAT. THESE ARE THE THREE LARGEST BANKS IN LUXEMBOURG,
AND EACH OWNS 14.8 PERCENT OF LUXAIR, WITH GOVERNMENT OF
LUXEMBOURG OWNING 25 PERCENT AND BALANCE IN PRIVATE
HANDS. NONE OF BANKS ARE FULL FAITH AND CREDIT BANKS.
WOLFF TO SUBMIT FINANCIAL DATA TO KUGE.

3. AN ALTERNATIVE ALSO DISCUSSED WAS THREE BANK
GUARANTEE FOR LIMITED PERIOD UNTIL GOVERNMENT OF
LUXEMBOURG GUARANTEE IS AUTHORIZED BY LUXEMBOURG
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PARLIAMENT. BUT WHAT WOULD HAPPEN IF GOVERNMENT OF

LUXEMBOURG GUARANTEE IS NEVER AUTHORIZED BY PARLIAMENT?
WOLFF CONFIRMED THAT SPECIFIC LAW MUST BE ENACTED BY
PARLIAMENT TO AUTHORIZE GOVERNMENT OF LUXEMBOURG GUARANTEE
FOR LUXAIR AND THIS HAS NOT BEEN DONE BEFORE.

4. LUXAIR WANTS TO BUY TWO BOEING 737S TO REPLACE
CARAVELLES WHICH MUST BE PHASED OUT. THEY WOULD SERVICE
ROUTES BETWEEN LUXEMBOURG AND LONDON, ATHENS AND ROME.
LUXAIR ALSO STUDYING BRITISH TRIDENT, BUT AIRBUS
CONSIDERED TOO BIG AN AIRCRAFT FOR THEIR PURPOSES. IF
EXIMBANK FINANCING NOT AVAILABLE, MAY BUY TRIDENT OR
ONE 737 OR NONE AS AMOUNT INVOLVED IS TOO GREAT FOR
LUXAIR TO SELF-FINANCE.

5. PRIVATE BANK FINANCING TO COMPLEMENT EXIMBANK CREDIT
WOULD BE SUPPLIED BY GROUP OF BANKS IN LUXEMBOURG
INCLUDING THREE BANKS OFFERED AS GUARANTORS AND LUXEMBOURG
BRANCHES OF CITIBANK AND BANK OF AMERICA. WOLFF
INDICATED THAT THE BANK GROUP IS NOT WILLING TO FINANCE
THE ENTIRE PURCHASE.

6. LUXAIR LOOKING TO MAKE DECISION ON PURCHASE IN MAY.

7. WOLFF NOT OPTIMISTIC ABOUT POSSIBILITY OF MERGER
WITH SABENA AND KLM BECAUSE OF DIFFERENT FINANCIAL
POSITION OF TWO AIRLINES. HOWEVER, IF MERGER OCCURS,
PURCHASE OF TWO 737S WOULD BE USEFUL BECAUSE SABENA
ALREADY HAS 737 FLEET. FIRESTONE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CIVIL AVIATION, ECONOMIC ASSISTANCE, AIRCRAFT SALES, BANK LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 09 APR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BRUSSE03643
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760134-0980
From: BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760480/aaaacptb.tel
Line Count: 89
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION XMB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 76 OSLO 1709
Review Action: RELEASED, APPROVED
Review Authority: MartinML
Review Comment: n/a
Review Content Flags:
Review Date: 17 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 JUN 2004 by SilvaL0>; APPROVED <15 DEC 2004 by MartinML>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FINANCING OF BOEING 737 SALES TO LUXAIR
TAGS: EFIN, EAIR, LU, BE, US, BOEING, LUXAIR, (RENDELL, ROBERT S), (WOLFF, RAYMOND)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006